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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 27, 2010

Certified Return Receipt
7003 2260 0002 0247 9147

Mark Carter
MMG Mining
3655 Lupine Way
St. George, Utah 84790

Subject: Deficient Reclamation Surety, MMG Mining, Bald Knoll Project, S/025/0012, Kane County, Utah

Dear Mr. Carter:

The Division of Oil, Gas and Mining sent you a letter on August 24, 2009, requesting that the delinquent permit fees be paid and a request for an increase in the reclamation bond. The delinquent permit fees were received on September 21, 2009. The Division appreciates your effort in that matter. However, the increase in surety has not been received. This surety was due for escalation in January of 2008. Your current reclamation surety is \$16,700, which the Division is holding in the form of a letter of credit. The Division has recalculated the surety based on your permitted area of five acres to be:

\$24,600 escalated for 3 years (surety amount next reviewed in 2012) OR
\$25,200 escalated for 5 years (surety amount next reviewed in 2014)

The Division has a standard reclamation cost estimated based on a per acre basis as follows:

Project Size (Acres)	Surety 3 & 5 year escalation	Comments
1 or less acres	\$7,400 (3-year escalation) \$7,600 (5-year escalation)	Minimum amount required
Additional acres up to 5 acres	\$4,300/ acre (3-year escalation) \$4,400/acre (5-year escalation)	Partial acreages rounded up (e.g., 1.2 acres = 2 acres)
Cumulative Amount for 5-acres	(i.e. Maximum of 5 acres = \$7,400 +\$17,200 = \$24,600) (3-year escalation) (i.e. Maximum of 5 acres = \$7,600 +\$17,600 = \$25,200) (5-year escalation)	\$600.00 difference between 3 and 5 year escalation amount for 5-acres of disturbance.



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Based on the information in the NOI, the Division has determined that you must post additional surety in the amount of:

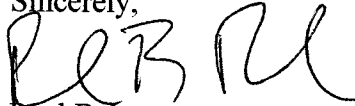
\$7900 for 3-year escalation OR
\$8500 for 5-year escalation

If the planned disturbed area in your Notice of Intention to Commence Small Mining Operations (NOI) is substantially different than what is currently planned, you may wish to amend the notice to more accurately reflect your future intent. At such time as the Division receives and reviews an amended NOI, we will determine an appropriate reclamation cost based on the new information and notify you of any changes needed to your surety. Another option for reducing the reclamation liability and the surety requirement would be to reclaim a portion of the site.

If you decide to amend the NOI or to reclaim a portion of the site, please submit the amendment or perform the reclamation no later than March 1, 2010. If you choose not to amend the NOI we will expect the above stated amount to be filed with the Division no later than March 1, 2010.

Please contact surety coordinator, Penny Berry, 801-538-5291, for instructions on how to submit this increased surety. If you have questions or concerns regarding this letter, please contact me at 801-538-5261 or John Rogers at 801-538-5349.

Sincerely,



Paul Baker
Minerals Program Manager

PBB:jrp:pb

cc: larry_garahana@blm.gov
jblake@utah.gov

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